

# TRINITY COUNTY ASSESSMENT PRACTICES SURVEY

**JULY 2004**

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July 23, 2004

TO COUNTY ASSESSORS:

TRINITY COUNTY  
ASSESSMENT PRACTICES SURVEY

No. 2004/045

A copy of the Trinity County Assessment Practices Survey Report is enclosed for your information. The Board of Equalization (BOE) completed this survey in fulfillment of the provisions of sections 15640-15646 of the Government Code. These code sections provide that the BOE shall make surveys in each county and city and county to determine that the practices and procedures used by the county assessor in the valuation of properties are in conformity with all provisions of law.

The Honorable Dero B. Forslund, Trinity County Assessor/Recorder/Clerk, was provided a draft of this report and given an opportunity to file a written response to the findings and recommendations contained therein. This report, including the assessor's response, constitutes the final survey report which is distributed to the Governor, the Attorney General, and the State Legislature; and to the Trinity County Board of Supervisors, Grand Jury, and Assessment Appeals Board.

Fieldwork for this survey was performed by the BOE's County Property Tax Division from July through August 2003. The report does not reflect changes implemented by the assessor after the fieldwork was completed.

Mr. Forslund and his staff gave their complete cooperation during the survey. We gratefully acknowledge their patience and courtesy during the interruption of their normal work routine.

These survey reports give government officials in California charged with property tax administration, and others, the opportunity to exchange ideas for the mutual benefit of all stakeholders. We hope that you find this and other survey reports useful, and we invite comments and suggestions for their improvement.

Sincerely,

/s/ David J. Gau

David J. Gau  
Deputy Director  
Property and Special Taxes Department

DJG:jm  
Enclosure

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## INTRODUCTION

Although county government has the primary responsibility for local property tax assessment, the State has both a public policy and financial interest in promoting competent and equitable property assessment. The public policy interest arises from the obvious impact of property taxes on taxpayers and the necessity for equitable assessments that are in accordance with applicable legal provisions. The financial interest arises from the fact that more than one-half of all property tax revenue is used to fund public schools, and the State is required to backfill any shortfalls in this source of school funding.

The assessment practices survey program is one of the State's major efforts to address these interests and to promote uniformity, fairness, equity, and integrity in the property tax assessment process. Under the program, the State Board of Equalization (BOE) periodically reviews the practices and procedures (surveys) of every county assessor's office. This report reflects the BOE's findings in its current survey of the Trinity County Assessor's Office.

An assessor is required to file a response to the survey report with his or her board of supervisors that states the manner in which the assessor has implemented, or intends to implement, the recommendations contained in this report. If the assessor will not implement any of the recommendations, he or she must also state the reasons for not doing so. Copies of the response are to be sent to the Governor, the Attorney General, the BOE, the Senate and Assembly, and the Trinity County Grand Jury and Assessment Appeals Board. That response is to be filed within one year of the date the report is issued and annually thereafter until all issues are resolved. The Honorable Dero S. Forslund, Trinity County Assessor/Recorder/Clerk, elected to file his initial response prior to the publication of our survey; it is included in this report following the Appendices.<sup>1</sup>

While typical management audit reports emphasize problem areas, they say little about operations that are performed correctly. Assessment practices survey reports also tend to emphasize problem areas, but they also contain information required by law (see *Scope of Assessment Practices Surveys*) and information that may be useful to other assessors. The latter information is provided in the hope that the report will promote uniform, effective, and efficient assessment practices throughout California.

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<sup>1</sup> This report covers only the assessment functions of his office.

## **SCOPE OF ASSESSMENT PRACTICES SURVEYS**

Government Code sections 15640 and 15642 define the scope of an assessment practices survey. In accordance with those statutes, this survey addresses the adequacy of the procedures and practices employed by the assessor in the valuation of property, the volume of assessing work as measured by property type, and the performance of other duties enjoined upon the assessor.

In addition, pursuant to Revenue and Taxation Code<sup>2</sup> section 75.60, the BOE determines through the survey program whether a county assessment roll meets the standards for purposes of certifying the eligibility of the county to continue to recover costs associated with administering supplemental assessments. Such certification is obtained either by a satisfactory statistical result from a sampling of the county's assessment roll, or by a determination by the survey team—based on objective standards defined in regulation—that there are no significant assessment problems in the county. (Additional information regarding the statutory and regulatory requirements pertaining to the assessment practices survey program are detailed in Appendix B.)

Our survey of the Trinity County Assessor's Office included reviews of the assessor's records, interviews with the assessor and his staff, and contact with officials in other public agencies in Trinity County who provided information relevant to the property tax assessment program.

Since this survey did not include an assessment sample pursuant to Government Code section 15640(c), our review included an examination to determine whether "significant assessment problems" exist, as defined by Property Tax rule 371.<sup>3</sup>

This report offers recommendations to help the assessor correct assessment problems identified by the survey team. The survey team makes recommendations when assessment practices in a given area are not in accordance with property tax law or generally accepted appraisal practices. An assessment practices survey is not a comprehensive audit of the assessor's entire operation. The survey team does not examine internal fiscal controls or the internal management of an assessor's office outside those areas related to assessment. In terms of current auditing practices, an assessment practices survey resembles a compliance audit—the survey team's primary objective is to determine whether assessments are being made in accordance with property tax law.

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<sup>2</sup> Unless otherwise stated, all statutory references are to the California Revenue and Taxation Code.

<sup>3</sup> All rule references are to sections of Title 18, Public Revenues, California Code of Regulations.

## EXECUTIVE SUMMARY

As stated in the Introduction, this report emphasizes problem areas we found in the operations of the assessor's office. However, it also identifies program elements that we found particularly effective and describes areas of improvement since our last assessment practices survey. The State-County Property Tax Administration Program is not described in this survey report because the assessor does not participate in the program.

In the September 1999 *Trinity County Assessment Practices Survey Report*, we made nine recommendations to address problems we found in the assessor's assessment policies and procedures. The assessor has fully implemented four of the prior recommendations and implemented two in part; three of the recommendations have not been implemented. The unimplemented recommendations, including the portions of those partially implemented, are repeated in this report (excluding a portion of one partially-implemented recommendation that is no longer relevant).

The current survey produced the following findings:

- The county's disaster relief ordinance is not consistent with current statutory requirements.
- Notations regarding penalty and escape assessments are not included on the assessment roll.
- The assessor uses outdated versions of BOE-prescribed forms and incorrectly includes penalty language on locally developed forms.
- The assessor incorrectly classifies domestic and irrigation water wells as improvements.
- The assessor does not annually review the assessments of all decline-in-value properties, and fails to notify the assessee of such properties that the full value of the property has increased, as required by section 619.
- The assessor fails to assess all taxable possessory interests, does not use proper valuation procedures when assessing taxable possessory interests, and does not issue supplemental assessments when there is a change in ownership or new construction involving taxable possessory interests.
- The assessor fails to assess the mineral rights of operating mining properties.
- The assessor does not use an appropriate economic life when valuing power plants by the income approach.
- The assessor does not use Assessors' Handbook Section 581, *Equipment Index and Percent Good Factors*, in the manner intended.

- The assessor does not consider value guides or BOE-issued cost data when assessing manufactured homes, and does not assess manufactured homes at the lesser of factored base year value or current market value.
- The assessor does not follow BOE directives for assessing aircraft, and accepts improperly executed affidavits for the historical aircraft exemption.

Despite the problems noted above, we found that most properties and property types are assessed correctly.

We found no significant assessment problems as defined in rule 371. Accordingly, pursuant to section 75.60, Trinity County continues to be eligible for recovery of costs associated with administering supplemental assessments.

Here is a list of the formal recommendations contained in this report, arrayed in the order that they appear in the text.

<b>RECOMMENDATION 1:</b>	Request that the Trinity County Board of Supervisors conform its disaster relief ordinance to the current provisions of section 170. ....	12
<b>RECOMMENDATION 2:</b>	Correctly identify and note penalty and escape assessments on the current assessment roll. ....	14
<b>RECOMMENDATION 3:</b>	Revise assessment forms procedures by (1) using only the current version of BOE-prescribed forms, and (2) including the penalty language only on appropriate forms. ....	18
<b>RECOMMENDATION 4:</b>	Enroll domestic and irrigation water wells as land. ....	23
<b>RECOMMENDATION 5:</b>	Improve the decline-in-value assessment program by (1) reviewing all decline-in-value properties each lien date as required by section 51(e), and (2) sending a value notice informing each assessee that their property's full value has increased over its full value for the prior year, as required by section 619(a). ....	24
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<b>RECOMMENDATION 10:</b>	Use Assessors' Handbook Section 581 as intended. ....	36
<b>RECOMMENDATION 11:</b>	Improve the assessment of manufactured homes by (1) considering BOE-issued cost data or recognized value guides when assessing manufactured homes, and (2) assessing manufactured homes at the lesser of the factored base year value or the current market value, as required by section 5813.....	38
<b>RECOMMENDATION 12:</b>	Modify the aircraft assessment program by (1) accepting only properly executed affidavits for the historical aircraft exemption, as required by section 220.5, and (2) complying with BOE guidelines for assessing aircraft.....	40

## **RESULTS OF 1999 SURVEY**

### ***Disaster Relief***

We recommended that the assessor request that the Trinity County Board of Supervisors revise the county's disaster relief ordinance such that it conforms to the requirements of the Revenue and Taxation Code. The assessor has not implemented this recommendation, which we repeat in this survey report.

### ***Assessment Roll Changes***

We recommended that the assessor notify the county auditor when mandatory interest charges are required. The assessor has implemented this recommendation.

### ***Supplemental Assessments***

We recommended that the assessor process and enroll supplemental assessments for all new construction. The assessor has implemented this recommendation.

### ***Taxable Possessory Interests***

We recommended that the assessor (1) assess all taxable possessory interests, and (2) reappraise taxable possessory interests only upon a change in ownership. The assessor has implemented the second part of this recommendation only. We repeat the first part of the recommendation in this survey report.

### ***Mineral Property***

We recommended that the assessor assess the mineral rights of quarry operations. The assessor has not implemented this recommendation, which we repeat in this survey report.

### ***Audit Program***

We recommended that the assessor (1) audit all mandatory accounts timely, (2) develop a nonmandatory audit program, and (3) obtain written waivers of the statute of limitations whenever a mandatory audit cannot be completed timely. The assessor has implemented parts (1) and (3) of this recommendation, but has not implemented part (2) concerning the development of a nonmandatory audit program. We reviewed this particular issue during the current survey. We conclude that, given the limited number of business properties in Trinity County, a nonmandatory audit program is not necessary. Therefore, we do not repeat this recommendation.

### ***Business Equipment Valuation***

We recommended that the assessor use Assessors' Handbook Section 581, *Equipment Index and Percent Good Factors*, in the manner intended. The assessor has not implemented this recommendation, which we repeat in this survey report.

### ***Business Property Statement Program***

We recommended that the assessor review the signatures on property statements more closely in order to ensure conformity with rule 172. The assessor has implemented this recommendation.

### ***Vessels***

We recommended that the assessor revise vessel appraisal procedures by annually appraising vessels at market value. The assessor has implemented this recommendation.

## OVERVIEW OF TRINITY COUNTY

Trinity County, located in the northwestern portion of the state, is bordered by the counties of Siskiyou, Shasta, and Tehama to the east; Mendocino to the south; Humboldt to the west; and Siskiyou to the north. Weaverville, the county seat, is about 265 miles north of San Francisco and about 185 miles south of the Oregon border. The county was incorporated in 1850, following the discovery of gold and an influx of prospectors. Trinity County has no incorporated cities and, remarkably, no traffic signals.

The county encompasses approximately 2 million acres, placing it in the upper-third of California's counties in land area; much of the county's terrain is scenic, but rugged, with almost three-quarters of the land under public ownership, primarily federal. With a population of only 13,100 (2000 census), Trinity is among the least densely populated of California's counties, and county population has remained essentially level over the past 10 years.

Trinity County is not part of, or in proximity to, a metropolitan area, and the county economy is small. To put this in scale, as of 2001, Trinity County had an estimated total workforce of about 5,000; the City and County of San Francisco had an estimated total workforce of about 436,900; and the state as a whole had an estimated workforce of about 17.4 million. Approximately one-quarter of Trinity County employment is in agriculture or resource-related industries, while the major source of nonagricultural employment is federal, state, and local government. County per capita personal income and home prices are well below the statewide medians.<sup>4</sup>

Trinity County's assessment roll is among the smallest in the state. The Trinity County assessment roll has grown gradually, but consistently, over the past several years, as the table below summarizes.

ASSESSMENT ROLL	TOTAL ROLL VALUE	INCREASE
2003-04	\$788,195,982	5.1%
2002-03	\$750,227,384	3.3%
2001-02	\$726,466,556	3.4%
2000-01	\$702,464,998	3.3%
1999-00	\$680,171,752	

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<sup>4</sup> Sources: "California County Information," California Association of Counties; "California County Profiles," California Department of Finance.

The following table summarizes, by property type, the number of roll units and their assessed values for the 2002-03 assessment year (data were not available for the 2003-04 assessment year):

<b>PROPERTY TYPE</b>	<b>NUMBER OF ASSESSMENTS</b>	<b>ENROLLED VALUE<sup>5</sup></b>
<b>Secured Roll</b>		
Residential	11,019	\$570,695,257
Commercial	547	\$76,105,674
Industrial	34	\$9,897,853
Restricted <sup>6</sup>	914	\$31,598,901
Other	26	\$5,642,048
Total Secured	12,540	\$693,939,733
<b>Unsecured Roll</b>		
Total Unsecured	1,614	\$36,091,332
<b>TOTAL ASSESSMENT ROLL</b>	<b>14,154</b>	<b>\$730,031,065</b>

The Trinity County Assessor requested, and was granted, a 30-day extension to complete and submit the 2003-04 assessment roll. The 2003-04 assessment roll was delivered to the county auditor at 7:30 p.m. on July 1, 2003.

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<sup>5</sup> Values are net of reductions for the homeowners' exemption (approx. \$20,000,000).

<sup>6</sup> Includes TPZ, CLCA, and conservation easement properties.

## ADMINISTRATION

This section of the survey report focuses on administrative policies and procedures of the assessor's office that affect both the real property and business property assessment programs. Subjects addressed include the assessor's budget and staffing, appraiser certification, assessment appeals, disaster relief, assessment roll changes, low-value property exemption, exemptions, and assessment forms.

### ***Budget and Staffing***

Although staffing has remained level, the assessor's gross budget has increased over the last five years, as the table below summarizes. The budget amount for Fiscal Year 2003-04 reflects certain salary increases, and the large increase in the Fiscal Year 2001-02 budget was due to office remodeling and software purchases (including software licenses).

YEAR	GROSS BUDGET	PERCENT CHANGE	PERMANENT STAFF
2003-04	\$307,642	16.17%	4
2002-03	\$264,829	9.99%	4
2001-02	\$240,781	20.30%	4
2000-01	\$200,153	1.99%	4
1999-00	\$196,254		4

Staffwise, the Trinity County Assessor's Office is among the smallest in the state. The assessor, a chief appraiser, a mapping-title technician, and an assessment technician staff the office.

### ***Appraiser Certification***

Under Section 670, no person may perform the duties of an appraiser for property tax purposes—in essence, make valuation decisions—unless he or she holds a valid appraiser's certificate issued by the BOE (support staff are not required to possess a certificate), and auditor-appraisers who perform mandatory audits must meet additional requirements described in subdivision (d) of section 670.

Contract appraisers, independent contractors who provide valuation services to an assessor's office on a fee basis, also must hold an appraiser's certificate. Finally, under section 24002.5 of the Government Code, no person may exercise the powers and duties of the office of assessor unless he or she holds a valid appraiser's certificate. Expressly excluded from this requirement, however, is any person who held the office of assessor on January 1, 1997.

The chief appraiser is the only appraiser in the Trinity County Assessor's Office, and, based on the most current BOE training and certification report, she possesses the required appraiser's certificate. The current assessor of Trinity County held office on January 1, 1997, and, therefore, is not required to hold an appraiser's certificate.

The Trinity County Assessor participates in the California Counties Cooperative Audit Services Exchange for mandatory audits and does not employ contract appraisers.

### **Assessment Appeals**

The assessment appeals function is prescribed by section 16 of article XIII of the California Constitution, and sections 1601 through 1641.2 are the statutory provisions governing the conduct and procedures of assessment appeal boards and the manner of their creation. Finally, as authorized by Government Code section 15606, the BOE has adopted rules 301 through 326 to regulate the assessment appeal process.

In Trinity County, the county board of supervisors acts as the local board of equalization for property tax appeals; that is, the five members of the board of supervisors also sit as the assessment appeals board. The following table summarizes the appeals workload over the last five years:

<b>FISCAL YEAR</b>	<b>2002-03</b>	<b>2001-02</b>	<b>2000-01</b>	<b>1999-00</b>	<b>1998-99</b>
Appeals Filed	3	5	4	1	3
Appeals Carried Over From Prior Year	0	0	0	0	0
<b>Total Appeals Workload</b>	<b>3</b>	<b>5</b>	<b>4</b>	<b>1</b>	<b>3</b>
Appeals Withdrawn	2	5	4	1	3
<b>Total Resolved</b>	<b>2</b>	<b>5</b>	<b>4</b>	<b>1</b>	<b>3</b>
To Be Carried Over <sup>7</sup>	1	0	0	0	0

When an appeal is filed, the chief appraiser reviews the assessment and contacts the taxpayer in order to explain the valuation process and the basis for the assessed value. This contact alone often results in the withdrawal of the appeal.

We found the assessment appeals process in Trinity County to be in compliance with the property tax law governing assessment appeals.

### **Disaster Relief**

Section 170 authorizes a county board of supervisors to adopt an ordinance providing property tax relief to assesseees whose properties have been damaged or destroyed by a misfortune or calamity. The ordinance may apply to (1) a major misfortune or calamity within a region that has been declared to be in a state of disaster by the Governor, (2) any misfortune or calamity, or (3) to a misfortune or calamity

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<sup>7</sup> "To Be Carried Over" may include appeals with time extensions by mutual agreement of the parties.

that was caused by the suspension or restriction of the right to enter upon a taxable possessory interest in land owned by the state or federal government.

On August 8, 1977, the Trinity County Board of Supervisors adopted Ordinance No. 362 establishing the county's program for the reassessment of property damaged or destroyed by misfortune or calamity.

The Trinity County Assessor discovers properties damaged by calamity or disaster through newspaper articles, building permits issued for repairs, taxpayer contact, and information from the local fire department. All disaster relief applications are date-stamped as received and then forwarded to the chief appraiser for analysis of the damage and a determination of whether the property qualifies for reassessment. After the chief appraiser has analyzed the damage, she reduces the assessment, as appropriate, and notifies the applicant in writing of the amount of the proposed reassessment. An attachment to this notice informs the applicant of his or her appeal rights. Upon completion of repair, restoration, or reconstruction, appropriate assessments are made to restore the property's taxable value.

There have been two major disasters in Trinity County in recent years: the Oregon fire in 2001 (10 claims), and the Lowden (Lewiston) fire in 1999 (110 claims). We found that the assessor processed relief applications related to both of these major fires in a timely manner and also was pro-active about notifying taxpayers of their rights under County Ordinance No. 362.

The following table summarizes the number of disaster relief applications processed in Trinity County for each of the past five years:

ASSESSMENT ROLL	NO. OF REASSESSMENTS PROCESSED
2002-03	2
2001-02	10
2000-01	1
1999-00	110
1998-99	0

In our prior survey report, we recommended that the assessor request the Trinity County Board of Supervisors to update the county's disaster relief ordinance such that it conforms to current statutory provisions. We found that this recommendation has not been implemented. We repeat the recommendation below.

**RECOMMENDATION 1:** Request that the Trinity County Board of Supervisors conform its disaster relief ordinance to the current provisions of section 170.

The county disaster relief ordinance is outdated and does not conform to current statutory provisions for the reassessment of property damaged by misfortune or calamity. The county's ordinance, which



references section 155.13, was adopted in 1977. In 1979, section 155.13 was repealed, along with sections 155.1 and 155.14, and replaced by section 170. The most significant changes to the statutory provisions for disaster relief since 1977 include (1) the effective date used for enrollment of the completion of repair, restoration, or reconstruction; (2) the filing times allowed for disaster relief applications and appeals for any related reassessments; and (3) the benchmark dollar amount of damage or destruction that qualifies property for relief.

The assessor processes disaster relief claims in accordance with current statutory provisions, but these practices are inconsistent with the county's outdated ordinance. The county's ordinance should be updated to conform to current statutory provisions.

### **Assessment Roll Changes**

The assessor must complete the local assessment roll and deliver it to the county auditor by July 1 of each year. After this delivery is made, the assessment roll may not be changed except as authorized by statute. A notation that cites the appropriate statutory reference for the change must accompany any assessment roll change.

Assessment roll changes fall into two general categories: escape assessments and corrections. An escape assessment is an assessment of property that originally was not assessed, or was underassessed, for any reason. A correction is any type of authorized change to an existing assessment except for an underassessment caused by an error or omission of the assessee.

In Trinity County, the assessment technician, chief appraiser, and assessor process assessment roll changes. The chief appraiser and assessor review all roll changes, and the taxpayers are notified in the required manner.

The following table shows the number of assessment roll changes processed in Trinity County for each of the last five years. The high number of changes in the 2002-03 assessment roll was due to a computer malfunction:

<b>ASSESSMENT ROLL</b>	<b>2002-03</b>	<b>2001-02</b>	<b>2000-01</b>	<b>1999-00</b>	<b>1998-99</b>
Secured Roll Corrections	688	107	129	197	131
Secured Roll Escapes	3	4	6	14	3
Unsecured Roll Corrections	39	28	50	45	59
Unsecured Roll Escapes	4	21	28	46	11
Totals by Year	734	160	213	302	204

With the exception of the following, the processing of assessment roll changes in Trinity County is well managed and complies with property tax law.

**RECOMMENDATION 2:** Correctly identify and note penalty and escape assessments on the current assessment roll.

The assessment roll does not include the notation required by section 533 or the penalty identification required by rule 261. Next to the assessor's public computer terminal is a sheet identifying the codes used on the electronic roll, including land use codes and assessor activity codes. Assessor activity code 30 indicates the processing of an escaped assessment and assessor activity code 31 indicates a revision to the roll. No information beyond these brief explanations of the activity codes is provided to the public.

Rule 261 requires the assessor to enter section 463 penalty assessments on the local roll in one of three ways:

- (1) By adding appropriate penalties to the assessed value of each class of property to which the penalty is applicable and referencing the values so increased to footnotes or entries in the comment field which reads: "Includes \_\_\_% penalty added pursuant to Sec. \_\_\_\_\_, R & T Code."
- (2) By inserting the amount to be added to the assessed value of each class of property and identifying the penalty by an entry which reads: "Penalty added pursuant to Sec. \_\_\_\_\_, R & T Code."
- (3) By entering the amount to be added to the assessed value of each class of property in another part of the roll, together with the name and address of the assessee, the tax-rate area code, the words "Penalty added pursuant to Sec. \_\_\_\_\_, R & T Code" and a cross reference to the place on the roll at which the assessed values are entered.

Section 533 requires the assessor to enter an escaped assessment on the roll for the current assessment year. If the escape is for a prior roll, the entry on the current roll must include the following notation, which provides a public notice of the escaped assessment:

"Escaped assessment for year \_\_\_\_\_ pursuant to Sections \_\_\_\_\_ of the Revenue and Taxation Code."

***Low-Value Property Exemption***

Section 155.20 authorizes a county board of supervisors to exempt all real property with a base year value, and personal property with a full value, so low that the total taxes, special assessments, and applicable subventions on the property would be less than the assessment and collection costs if the property were not exempt.

Section 155.20(b)(1), however, provides that a county board of supervisors may not exempt property with a total base year value or full value of more than \$5,000, or more than \$50,000 in the case of certain possessory interests. A board of supervisors must adopt a low-value exemption before the lien date for the fiscal year to which the exemption is to apply. At the option of the board of supervisors, the exemption may continue in effect for succeeding fiscal years.

On February 7, 1995, the Trinity County Board of Supervisors adopted Resolution No. 13-95, which exempts from ad valorem taxation for the regular and supplemental roll (1) all property with a taxable value of \$2,000 or less; and (2) all manufactured home accessories with a base year value or full value of \$5,000 or less that are installed on, or added to, manufactured homes that were purchased prior to July 1, 1980, and are subject to vehicle license fees. The resolution excludes real and personal property as specified in section 52 ("enforceably restricted property").

We found that the assessor's practices concerning the exemption of low-value properties comply with the resolution adopted by the Trinity County Board of Supervisors and with all statutory provisions.

### ***Exemptions***

In Trinity County, the assessment technician and chief appraiser process exemptions. Upon request, the assessment technician sends out the claim forms for the property tax exemption. When the claims are received, the assessment technician processes the claims and forwards them to the chief appraiser for review. The chief appraiser determines the amount of exemption allowed and enrolls this amount on the tax roll. If needed, the chief appraiser will conduct field inspections on the properties for which the exemptions are claimed.

#### **Church and Religious Exemptions**

The church exemption is authorized by article XIII, section 3(f), of the California Constitution. This constitutional provision, implemented by section 206 of the Revenue and Taxation Code, exempts buildings, the land on which they are situated, and equipment used exclusively for religious worship, when such property is owned or leased by a church. Property that is reasonably and necessarily required for church parking also is exempt, under article XIII, section 4(d), provided that the property is not used for commercial purposes. The church parking exemption is available for owned or leased property meeting the requirements of section 206.1.

Article XIII, section 4(b), authorizes the Legislature to exempt property used exclusively for religious, hospital, or charitable purposes and owned or held in trust by a corporation or other entity. The corporation or entity, however, must meet the following requirements: (1) it must be organized and operated for those purposes; (2) it must be non-profit; and (3) no part of its net earnings can inure to the benefit of any private shareholder or individual. The Legislature has implemented this constitutional authorization in section 207 of the Revenue and Taxation Code, which exempts property owned by a church and used exclusively for religious worship and school purposes.

County assessors, not the BOE, administer the church and religious exemptions. The church exemption and the church parking exemption require an annual filing of the exemption claim. The religious exemption requires a one-time filing by the claimant. Once granted, this exemption remains in effect until terminated or until the property is no longer eligible for the exemption.

The following table shows the assessor's religious and church exemption workload, and amounts exempted for the last five years:<sup>8</sup>

ASSESSMENT ROLL	RELIGIOUS		CHURCH	
	Number of Exemptions	Amount of Exemptions	Number of Exemptions	Amount of Exemptions
2002-03	26	\$4,280,129	6	\$940,094
2001-02	26	\$4,196,227	4	\$477,118
2000-01	26	\$4,063,442	5	\$607,694
1999-00	26	\$4,231,459	4	\$427,979
1998-99	27	\$3,829,008	3	\$296,837

Our review of the assessor's church and religious exemption programs showed no problems.

### Welfare Exemption

The welfare exemption from local property taxation is available for property owned and used exclusively for qualifying religious, hospital, scientific, or charitable purposes by organizations formed and operated exclusively for those purposes. Both the organizational and property use requirements must be met for the exemption to be granted.

The welfare exemption is co-administered by the BOE and county assessors. Effective January 1, 2004, the BOE became responsible for determining whether an organization itself is eligible for the welfare exemption and for issuing *Organizational Clearance Certificates* to qualified nonprofit organizations. And, the assessor became responsible for determining whether the use of a qualifying organization's property is eligible for exemption and for approving or denying exemption claims.

The assessor may not grant a welfare exemption on an organization's property unless the organization holds a valid Organizational Clearance Certificate issued by the BOE. The assessor may, however, deny an exemption claim, based on non-qualifying use of the property, notwithstanding the claimant's *Organizational Clearance Certificate* issued by the BOE.

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<sup>8</sup> Annual Statement (Forms BOE-801 and BOE-802) of the County Assessor to the Board of Equalization, per section 407, due annually on the second Monday in July (Exhibit A).

The following table shows the assessor's welfare exemption workload and the amounts exempted for the last five years:<sup>9</sup>

ASSESSMENT ROLL	NUMBER OF EXEMPTIONS	ASSESSED VALUE
2002-03	41	\$2,853,806
2001-02	37	\$2,180,526
2000-01	40	\$1,944,869
1999-00	41	\$1,933,675
1998-99	12	\$1,295,129

We reviewed the assessor's files for claimants that were granted welfare exemptions and found that the property uses were within the scope of the exemption. We also found that the assessor was following proper processing procedures. Accordingly, we have no recommendations in this area.

### **Assessment Forms**

Government Code section 15606 requires the BOE to prescribe the use of all forms for the assessment of property for taxation.<sup>10</sup> The BOE currently prescribes 76 forms for use by county assessors and one form for use by county assessment appeals boards. Generally, the assessor has the option to change the appearance (size, color, etc.) of a prescribed form but cannot modify, add to, or delete from the specific language on a prescribed form. The assessor may also rearrange information on a form provided that the assessor submits such a form to the BOE for review and approval. Assessors may also use locally developed forms to assist them in their assessment duties.

The BOE annually sends three forms checklists to assessors for (1) property statements, (2) exemption forms, and (3) miscellaneous forms. Assessors are asked to indicate on the checklists which forms they will use in the succeeding assessment year and to return the checklists to the BOE by October 15 in the case of property statements and miscellaneous forms and by December 1 in the case of exemption forms. By February 10, assessors are also required to submit to the BOE the final prints (versions) of all BOE-prescribed forms they will use in the following year.

For 2003, the Trinity County Assessor returned all forms checklists and all final prints of forms on or before the required deadlines. The assessor indicated that he would use 64 of the 78 BOE-prescribed forms and that none of the forms would be rearranged.

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<sup>9</sup> Annual Statement (Forms BOE-801 and BOE-802) of the County Assessor to the Board of Equalization, per section 407, due on the second Monday in July.

<sup>10</sup> Also sections 480(b), 480.2(b), 480.4, and rules 101 and 171.

**RECOMMENDATION 3:** Revise assessment forms procedures by (1) using only the current version of BOE-prescribed forms, and (2) including the penalty language only on appropriate forms.

**Use only the current version of BOE-prescribed forms**

As noted above, for 2003, the assessor properly indicated on the forms checklists which forms would be used and also submitted the final prints of the forms to the BOE timely. However, seven forms are being used that are not the same as those submitted as the final prints. Each is an older version of the form submitted.

Subdivision (d) of Government Code section 15606 requires the BOE to prescribe and enforce the use of all forms for the assessment of property for taxation.<sup>11</sup> Outdated BOE-prescribed forms should not be used as they could provide incorrect information or be misleading.

**Include the penalty language only on appropriate forms**

We found that the locally developed *Aircraft Owners Report* and the untitled vessel letter/questionnaire both inappropriately include penalty language.

Section 5365 requires an aircraft owner, upon request by the assessor of the county in which an aircraft is habitually based, to file a statement providing the make, model, and year of manufacture of the aircraft. Section 5367 provides that if the requested statement is not filed or not filed timely, a penalty of 10 percent of the market value of the unreported aircraft shall be added. However, in addition to the data required in section 5365, the assessor's *Aircraft Owners Report* also asks for the aircraft's tail number, the date the aircraft entered the county, the location of the aircraft's hanger or tie-down, the aircraft's serial number, purchase information, and details regarding the aircraft's airframe and engine. The assessor cannot request this information under the section 5367 penalty because the information is not required under section 5365. The assessor should either delete the penalty statement from the locally developed form or revise the form to make it clear that the penalty only applies to a failure to provide the information listed in section 5365.

Section 452 provides that the BOE shall prescribe the content of property statements to be used by all assessors. Pursuant to this section, the BOE has prescribed a *Vessel Property Statement* (Form BOE-576-D) for requesting necessary information for the assessment of vessels. Use of this form allows for the assessment of a penalty for nonresponse. The Trinity County Assessor uses a locally developed vessel letter/questionnaire, not the BOE-prescribed form, to collect vessel information. The assessor's locally developed form erroneously includes penalty language, which by law may only be used with

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<sup>11</sup> Also Revenue and Taxation Code sections 480(b), 480.2(b), 480.4, and California Code of Regulations (property tax rules) sections 101 and 171.

BOE-prescribed forms (the collection of aircraft data, governed specifically by sections 5365 and 5367, is the single exception). The assessor should either use the BOE-prescribed form for collecting vessel data, or delete the penalty language from the locally developed vessel letter/questionnaire.

## ASSESSMENT OF REAL PROPERTY

In Trinity County, the chief appraiser and mapping-title technician process all real property assessments. The assessor's program for assessing real property includes the following principal elements:

- Revaluation of properties that have changed ownership.
- Valuation of new construction.
- Annual review of properties that have experienced declines in value.
- Annual revaluations of certain properties subject to special assessment procedures, such as lands subject to California Land Conservation Act contracts, lands in Timber Production Zones, and taxable government-owned lands.

Unless there is a change in ownership or new construction, article XIII A of the California Constitution provides that the taxable value of real property shall not exceed its 1975 full cash value factored at no more than 2 percent per year for inflation.

### ***Change in Ownership***

Section 60 defines change in ownership as a transfer of a present interest in real property, including the beneficial use thereof, the value of which is substantially equal to the value of the fee simple interest. Sections 61 through 69.5 further clarify what is considered a change in ownership and what is excluded from change in ownership for property tax purposes. Section 110.1 requires the assessor to establish a base year value for real property upon a change in ownership, based on the property's fair market value on the date of change in ownership.

### **Document Processing**

Recorded documents are the main source of information by which the assessor discovers changes in ownership. Since the assessor is also the county recorder, every effort is made to obtain a *Preliminary Change of Ownership Report* (PCOR), Form BOE-502-A, when a transfer document is recorded. If a PCOR is not presented to the county recorder along with the transfer document submitted for recordation, a blank PCOR is provided to the taxpayer who is advised that, if needed, assistance in completing the PCOR is available at the assessor's office. This process is effective; PCOR's accompany about 95 percent of the transfer documents submitted for recordation.

On a daily basis, the recorder electronically transmits all recorded documents to the assessor's office, where the mapping-title technician reviews the information and determines which documents qualify as a change in ownership. The technician then logs each change in ownership and forwards all applicable documents to the chief appraiser. The chief appraiser reviews all changes in ownership. If the PCOR



indicates the need for a homeowners' exemption, or an exclusion from change in ownership due to parent/child or other qualifying exclusion, the appropriate form is mailed to the grantee(s).

The following table shows the number of recorded documents reviewed annually, the resulting number of changes in ownership, and the number of parent/child transfers processed for each of the past four years:

ASSESSMENT ROLL	NUMBER OF DOCUMENTS	CHANGES IN OWNERSHIP	PARENT/CHILD TRANSFERS
2002-03	5,547	1,872	7
2001-02	4,847	1,528	49
2000-01	4,886	1,232	68
1999-00	4,454	1,726	81

We randomly selected a group of recorded change-in-ownership documents for review and tracked each document through the assessor's enrollment process. Each change in ownership was processed correctly and in a manner that complies with current property tax law.

We have no recommendations in regard to general change in ownership processing.

### Legal Entity Ownership Program (LEOP)

Section 64 provides that certain transfers of ownership interests in a legal entity constitute a change in ownership of all real property owned by the entity and its subsidiaries. Rule 462.180 interprets and clarifies section 64, providing examples of transactions that either do or do not constitute a change in entity control and hence either do or do not constitute a corresponding change in ownership of the real property owned by the entity. Discovery of these types of change in ownership is difficult for assessors because ordinarily there is no recorded notice of the real property transfer.

To help assessors, the BOE's LEOP unit investigates and verifies changes in entity control and legal ownership reported by legal entities, transmitting to each county a listing, with corresponding property schedules, of legal entities that have reported a change in control under section 64(c) or change in ownership under section 64(d). However, many of the acquiring entities do not provide specific information about the real property involved—for example, the county of location, the assessor's parcel number, etc. Because of the limited data provided by many entities, the LEOP unit advises assessors to independently research each entity's property holdings to determine whether all affected parcels have been identified and properly reappraised.

In Trinity County, upon receipt of LEOP notices from the BOE, the chief appraiser reviews the LEOP information, identifies all properties involved, values the properties, and enrolls the new assessments. We reviewed all LEOP transfers since November 1998 and found the assessor is correctly processing these changes in ownership.

We have no recommendations in regard to the processing of changes in ownership of real property that relate to changes in control of legal entities.

### **New Construction**

Section 70 defines newly constructed property, or new construction, as (1) any addition to real property since the last lien date; or (2) any alteration of land or improvements since the last lien date that constitutes a major rehabilitation of the property or converts the property to a different use. Further, section 70 establishes that any rehabilitation, renovation, or modernization that converts an improvement to the substantial equivalent of a new improvement, constitutes a major rehabilitation of the improvement. Section 71 requires the assessor to determine the full cash value of newly constructed real property on each lien date while construction is in progress and on its date of completion and provides that the full cash value of completed new construction becomes the new base year value of the newly constructed property.

Rules 463 and 463.5 clarify the statutory provisions of sections 70 and 71, and Assessors' Handbook Section 502, *Advanced Appraisal*, Chapter 6, provides guidance for the assessment of new construction.

There are several statutory exclusions from what constitutes new construction; sections 73 through 74.6 address these exclusions.

In Trinity County, the discovery of new construction is typically accomplished through a review of building permits, use permits, and the local newspaper, as well as through information from the California Department of Forestry, the Department of Environmental Health, and taxpayers. Field reviews are limited to properties demonstrating unusual circumstances or properties about which problematic information has been received.

Most new construction activity is discovered from building permits. The assessor annually receives an average of about 235 permits. The following table summarizes the assessor's building permit activity for the past five years, including the total number of permits received and worked:

ASSESSMENT ROLL	TOTAL PERMITS*	PERMITS WORKED
2002-03	260	259
2001-02	235	231
2000-01	300	300
1999-00	220	210
1998-99	150	142

\* Does not include permits for wells or septic tanks issued by the Department of Environmental Health.

The chief appraiser reviews and screens all permits received. All permits are retained in the property file, including those that represent non-assessable construction. Examples of non-assessable construction are re-roofs, replacement water heaters, temporary power poles, or other maintenance and repair items. Permits for assessable new construction are documented on the property record.

Self-reporting questionnaires are sent for commercial and residential additions, alterations, and repairs regardless of permit value, and approximately 50 percent of the questionnaires are returned. The chief appraiser compares the reported cost of construction to estimated costs from BOE cost guides and the *Marshall Valuation Service*. Also, the sales comparison approach and the income approach are used to value new construction when appropriate.

We randomly sampled approximately 30 property records, reviewing each for the building permit handling process, allocation of values between real property and business property, documentation of appraisal files, value factoring, valuation techniques, and enrollment of supplemental assessments. Excluding our recommendation below, we found the assessment of new construction in Trinity County to be well documented and processed in accordance with property tax law.

**RECOMMENDATION 4:** Enroll domestic and irrigation water wells as land.

We reviewed the processing of well permits issued by the Department of Environmental Health and found that most of the wells were enrolled as improvements. Additionally, we found that wells on property under California Land Conservation Act contract were enrolled as non-living improvements.

Rule 124 provides that water wells should be classified as land for property tax purposes. In Assessors' Handbook Section 521, *Assessment of Agricultural and Open-Space Properties*, page I-58, the BOE has advised assessors to classify wells, including well casings, gravel pack, and drilled holes, as land. On the contrary, pumps, concrete pads, and electrical power drops should be assessed as improvements.

**Decline in Value**

Section 51 requires the assessor to enroll the lesser of a property's factored base year value or its full cash value (defined in section 110) on the lien date. Thus, if a property's full cash value falls below its factored base year value on any given lien date, the assessor must enroll the lower value, that is, the full cash value, as the taxable value for that property. If, on a subsequent lien date, a property's full cash value rises above its factored base year value, the assessor must enroll the factored base year value as the taxable value.

In Trinity County, the assessor relies upon taxpayer contacts to generate assessment reviews for possible declines in value. The assessment records for all properties determined to have a full cash value lower than the factored base year value are placed in red folders that are readily identifiable due to the assessor's open-shelf filing system. There were 85 properties on decline-in-value status for the 2003-04 assessment roll. We found a few problems with his decline-in-value program.

**RECOMMENDATION 5:** Improve the decline-in-value assessment program by (1) reviewing all decline-in-value properties each lien date as required by section 51(e), and (2) sending a value notice informing each assessee that their property's full value has increased over its full value for the prior year, as required by section 619(a).

**Review all decline-in-value properties each lien date as required by section 51(e)**

The assessor reviews each decline-in-value property only once every three years. However, for a decline-in-value property, section 51(e) requires the assessor to *annually* reappraise the property at its full cash value until the full cash value exceeds the factored base year value. By reappraising decline-in-value property only periodically, the assessor is not in compliance with section 51(e).

The assessor's practice may yield inappropriate assessments. For example, we reviewed the assessment of one income-producing property. Our analysis indicated that the full cash value of the property was about \$1,500,000. The 2003-04 factored base year value for the property was \$1,147,696, but the value on the 2003-04 roll was only \$430,000. Additionally, we analyzed the assessment of 32 single-family residences that sold in 2002 by comparing each property's 2002 sale price to its previous sale price (prior sales dates ranged from 1980 to 2001). The result was an average annual rate of appreciation of 7.9 percent excluding compounding. Both analyses indicate an upward value trend and suggest that decline-in-value properties that were not reappraised for the 2003 lien date are potentially underassessed.

**Send a value notice informing each assessee that their property's full value has increased over its full value for the prior year, as required by section 619(a)**

When the taxable value of a decline-in-value property has increased over its taxable value for the prior year, the assessor does not notify the property owner of the higher assessed value on the completed roll.

Section 619(a) provides that the assessor shall inform each assessee of real property on the local secured roll whose property's full value has increased over its full value for the prior year of the higher assessed value to appear on the completed local roll. Also, section 619(c) provides that for decline-in-value properties, the notice must include the factored base year value of the property. This notification also informs the assessee about the appeal and stipulation processes, of which assesseees would otherwise likely be unaware.

### ***Supplemental Assessments***

Sections 75 and following require the assessor to appraise property at its full cash value upon change in ownership or completion of new construction and to issue a supplemental assessment based upon the change in ownership or new construction. A supplemental assessment is an assessment that reflects the increase or decrease in assessed value resulting from a change in ownership or completion of new construction for the fiscal year. If a change in ownership or completed new construction occurs between January 1 and June 30, two supplemental assessments result from the same event: one for the remainder of the current fiscal year, another for the entire next fiscal year. Clarification regarding supplemental assessments resulting from the completion of new construction is contained in rule 463.500.

In Trinity County, supplemental assessments are issued upon a change in ownership or the completion of new construction, as required. The chief appraiser reviews each supplemental assessment, and a notice of supplemental assessment is subsequently generated by the assessor's computer system. We found that the notice of supplemental assessment includes all information required by section 75.31.

We reviewed a variety of supplemental assessments. Excluding the issue discussed in the recommendation immediately below, we found that the Trinity County Assessor's supplemental assessment program is consistent with applicable statutes and regulations.

**RECOMMENDATION 6:** Issue supplemental assessments for all taxable possessory interests.

We found that the assessor does not issue supplemental assessments for property on the unsecured roll; more specifically, we found that the assessor does not issue supplemental assessments for taxable possessory interests. Sections 75 and following require the assessor to issue supplemental assessments when real property changes ownership or newly constructed real property is completed. A taxable possessory interest is real property and is, therefore, subject to supplemental assessment upon a change in ownership or completion of new construction.

### ***California Land Conservation Act Property***

Pursuant to the California Land Conservation Act (CLCA) of 1965, agricultural preserves may be established by a city or county for the purpose of identifying areas within which the city or county will enter into agricultural preserve ("Williamson Act") contracts with property owners.

Property owners who place their lands under contract agree to restrict the use of such lands to agriculture and other compatible uses; in exchange, the lands are assessed at a restricted value. Lands under contract are valued for property tax purposes by a method that is based upon agricultural

income-producing ability (including income derived from compatible uses, e.g., hunting rights and communications facilities). Although such lands must be assessed at the lesser of restricted value, current market value, or factored base year value, the restricted value typically is the lowest.

Sections 421 through 430.5 prescribe the method of assessment for land subject to agricultural preserve contracts. Assessors' Handbook Section 521, *Assessment of Agricultural and Open-Space Properties* (AH 521), provides BOE-approved guidance for the appraisal of these properties.

On August 7, 1973, the Trinity County Board of Supervisors adopted Resolution No. 69-73, establishing agricultural preserves in the county and implementing the California Land Conservation Act of 1965. For the 2002-03 assessment roll, Trinity County had slightly more than 22,000 acres under CLCA contract (116 parcels and 40 contracts), representing approximately 4.5 percent of the county's total land area. The total restricted value of land under CLCA contract was approximately \$1,900,000, with almost all of this land rated non-prime and used for grazing. No properties under contract were in non-renewal status and no lands were subject to Farmland Security Zone or wildlife habitat contracts. The assessment of property restricted by a CLCA contract is a relatively minor part of the assessment program in Trinity County.

We reviewed the development of economic net income and capitalization rates used to estimate the restricted value of the CLCA properties, and found the analyses to be reasonable and in accordance with statutory requirements. Since Trinity County's CLCA properties are primarily used for grazing, the assessor typically uses economic rent per animal unit as the measure of income, and applies a risk component of 1 percent in the development of the CLCA capitalization rate. There were no compatible uses reported, and we found that homesite valuations comply with statutory provisions. The assessor has mailed agricultural production and rent questionnaires to property owners in the past, but the response rate has been very limited.

We found no significant problems with the assessor's CLCA assessment program and, therefore, have no recommendations.

### ***Timberland Production Zone Property***

Lands zoned "Timberland Production Zone" (TPZ) are valued in accordance with special TPZ site classifications; the valuation of such lands excludes the value of any standing timber. The annual value of a TPZ property ("TPZ value") is determined by its appropriate per-acre site value (section 434.5) plus the current market value of any compatible, nonexclusive uses of the property (section 435). Assuming that TPZ lands are not also under CLCA contract, the annual taxable value of TPZ lands is the lowest of (1) TPZ value, (2) current market value, or (3) factored base year value.

The special valuation methods for TPZ lands do not apply to structures on TPZ lands or to reasonable sites for such structures. In other words, structures and the sites directly related to those structures are assessed as all other real property.

On November 1, 1976, the Trinity County Board of Supervisors adopted Ordinance No. 315, applying to Trinity County the California Timberland Productivity Act of 1982. This act, briefly described above, encourages the continued use of timberlands for the production of trees and timber products by restricting the use of certain timberland to the production of timber products and compatible uses. The board of supervisors has amended the local ordinance on several occasions to (1) revise the allowed uses and the uses where a special use permit is required, (2) define uses that are considered compatible uses, (3) establish minimum acreage requirements, (4) change zoning requirements, and (5) update the ordinance to keep it consistent with changing statutory provisions.

On the 2002-03 assessment roll, Trinity County had a total of 797 parcels (260,768.86 acres) under TPZ zoning, with a total assessed value of \$27,603,567. There were no parcels in non-renewal status.

The previous chief appraiser, a registered forester, originally classified the TPZ parcels in Trinity County; no site classification changes have been made. The assessor's computer system allows the designation of TPZ parcels as required by section 433, and assessed values are calculated automatically based upon the BOE's site class values. The assessor strictly adheres to section 435 and annually updates the site classification values.

The county's ordinance clearly defines all permitted and compatible uses allowed on TPZ land. The landowner must obtain a use permit for all compatible uses. The county planning department closely monitors compatible uses of TPZ lands. The assessor receives use permits from the planning department and effectively tracks all compatible uses.

We found that the assessor is in compliance with all statutory requirements concerning the assessment of TPZ land. We have no recommendations.

### ***Taxable Possessory Interests***

A taxable possessory interest is possession, a right to possession, or a claim to a right to possession of publicly owned real property, in which the possession provides a private benefit to the possessor and is independent, durable, and exclusive of rights held by others. With most privately-owned property, the assessment is based on the value of the fee simple value in the property. With a taxable possessory interest, the assessment is based on the value of the rights held by the possessor.

In Trinity County, the assessor enrolled 285 taxable possessory interests on the 2002-03 assessment roll with a total value of \$5,334,065.

In our 1999 assessment practices survey report, we recommended the assessor (1) assess all taxable possessory interests, and (2) reappraise possessory interests only upon a change of ownership. In the current survey, we found that the assessor has implemented only the second part of this recommendation. Therefore, we repeat the first part of the recommendation.

**RECOMMENDATION 7:** Revise the taxable possessory interest assessment program by (1) assessing all taxable possessory interests, and (2) using proper valuation procedures for assessing taxable possessory interests.

### **Assess all taxable possessory interests**

We found the assessor does not assess all taxable possessory interests, including (1) cable television rights-of-way, (2) county fairground uses, and (3) certain permittees' rights to use United States Forest Service (USFS) land.

In the 1999 survey, we found that the assessor was not assessing the entire taxable possessory interest of the local cable company. The assessor continues to assess the right to use tax-exempt land upon which structures owned by the cable company are located; however, the rights-of-way in public streets used for the company's distribution system are still not being assessed. In addition, the assessor is not assessing any taxable possessory interests at the county fairgrounds. The carnival that has been operating at the county fair for the past five years has never been assessed. There are also other taxable possessory interests at the fairgrounds, such as the food and beer concessions at the county fair, that should be assessed (the value of these possessory interests is anticipated to exceed the \$2,000 threshold for the low-value property exemption).

There also are several taxable possessory interests in USFS land that have escaped assessment. These include taxable possessory interests related to the following: houseboat permits for mooring privately-owned houseboats, permits for commercial houseboat operations, commercial river rafting near Big Bar, marinas on Trinity Lake, and outfitters and guides.

Section 107 and rule 20 both define a taxable possessory interest. The property uses referenced above (i.e. the cable television rights-of-way, uses at the county fairground, and uses on USFS land) meet the definition of a taxable possessory interest, yet the Trinity County Assessor fails to assess such interests, as required by property tax law.

### **Use proper valuation procedures for assessing taxable possessory interests**

We found several problems with the methods and techniques used by the Trinity County Assessor for the valuation of taxable possessory interests:

- The assessor values possessory interests without reviewing the leases or other agreements that create the interests. Consequently, the assessor typically relies on verbal information provided by staff at a public agency, information that may be inaccurate or incomplete. For example, the assessor may know the initial lease term related to a possessory interest but may be unaware of any renewal options contained in the lease or of lessor/lessee expense allocations.
- The assessor does not deduct for vacancy and collection loss or for expenses related to a possessory interest that are paid by the lessor (i.e., the public owner). Both of these deductions are required, even if relatively small in magnitude. Rule 21(e)(3)(A) provides that a taxable possessory



interest is valued by capitalizing its future net income. This means that the gross income must be reduced to the net income, with consideration given to vacancy and expenses and to other expenses borne by the public owner, including management expense (which applies even to vacant land).

- The assessor uses a single capitalization rate for all taxable possessory interests. As provided in rule 8(g), capitalization rates for taxable possessory interests should be derived either by (1) using income and sales data from comparable properties, or (2) developing a band of investment capitalization rate based on market rates of return for debt and equity capital. Possessory interests do not all have the same capitalization rate. The capitalization rate should vary depending upon the risk of the income stream attributable to the possessory interest, and may or may not include a tax component.
- The assessor does not use the stated term of possession when valuing taxable possessory interests—specifically, possessory interests at Ruth Lake—as required by rule 21. For taxable possessory interests with a stated term of possession (defined as the remaining period of possession on the valuation date as specified in the lease or other legal instrument that created, renewed, or extended the possessory interest), rule 21 establishes a presumption that the stated term of possession is the reasonably anticipated term of possession. This presumption may be overcome if the assessor can successfully demonstrate by clear and convincing evidence that the public owner and the private possessor have reached a mutual understanding or agreement such that the reasonably anticipated term of possession differs from the stated term of possession. If the presumption cannot be overcome, however, the assessor must use the stated term of possession when valuing the property. Based on our review, the assessor does not have clear and convincing evidence that the reasonably anticipated terms of possession for the possessory interests at Ruth Lake differ from the stated terms of possession; therefore, the assessor should use the stated terms of possession when valuing those properties.

### ***Leasehold Improvements***

Leasehold improvements, or tenant improvements, are improvements or additions to leased property that have been made by the tenant or lessee. Such improvements can be assessed to the owner of the real property on the secured assessment roll or to the lessee on the unsecured assessment roll.

Commercial, industrial, and other types of income-producing properties require regular monitoring by the assessor in regard to leasehold improvements because, as tenants change over, leasehold improvements may be added or removed. These changes must, by law, be reflected in the property's assessment if they qualify as new construction.

When leasehold improvements are reported on the *Business Property Statement*, coordination between the real property and business property divisions of the assessor's office is required. The reported cost of the leasehold improvements, or any other real property reported on the property statement, should be examined by both an appraiser in the real property division and an auditor-appraiser in the business property division in order to determine the proper classification of the property and to avoid escape and double assessments; the appraiser and auditor-appraiser must agree

on which items will be assessed by each division, or escape and/or double assessments may result. They also must determine whether the reported costs relate to repair and maintenance and are, therefore, not assessable, and whether the reported new improvements should be classified as structural improvements or fixtures.

Business property statements and building permits are the two most common sources for the discovery of tenant improvements in Trinity County. The chief appraiser reviews these documents to determine if the reported construction is assessable, and if assessable, whether it is assessable as a structural improvement or fixture. If assessable, the tenant improvements are assessed to the reporting party, which in most cases is the tenant. When abandoned, tenant improvements are secured to the real property and thereby assessed to the landlord.

We found no problems with the assessment of leasehold improvements. We have no recommendations.

### ***Water Company Property***

Taxable water company property may include the property of private water companies, mutual water companies, and some property of government-owned water systems. Each type of water company property presents different assessment issues.

The assessor is responsible for the discovery and valuation of all water company property in Trinity County. The county has four private and seven mutual water companies. The assessor currently receives California Public Utilities Commission (CPUC) reports relating to the private water companies and requires the companies to submit annual business property statements. Only one company has failed to file the annual business property statement, and appropriate penalties were assessed.

### **Mutual Water Companies**

A mutual water company is a private association created for the purpose of providing water at cost, to be used primarily by its stockholders or members. When incorporated, the association can enter into contracts, incur obligations, own property, and issue stock; if not incorporated, it can only do these things in the names of the members. Incorporated mutual water companies are not subject to regulation by the CPUC unless they sell water to persons other than stockholders and members.

The assessor must obtain the articles of incorporation for each mutual water company, because much of the information that must be considered by an appraiser when valuing the company's property is contained in this document. Without this data, it is very difficult to determine an accurate taxable value for mutual water company property. The assessor retains the articles of incorporation for Trinity County's seven mutual water companies in the property files.

The assessor's procedures for assessing mutual water company properties comply with property tax law. We have no recommendations.

## Private Water Companies

Private water companies are privately owned utilities in business to earn a profit from the sale of water. This type of water company is subject to regulation by the CPUC and must submit reports annually to the CPUC. The CPUC regulates the rates charged by private water companies, and profits are limited to a return on the company's investment in the plant and associated equipment. Since the earning ability of a private water company is tied to the company's "rate base," the current market value of private water company property may be adversely affected by this restriction on earning ability. Because of these restrictions, the historical cost less depreciation approach or the income approach using actual income are often the preferred approaches to value.

We obtained reports listing all water supply sources from the county's Department of Environmental Health, the State Department of Health Services' Drinking Water Field Operations, and the CPUC. We reviewed a number of water company property assessments from these reports and found the assessments to be clear and well documented.

The assessor's procedures for assessing private water company properties comply with property tax law. We have no recommendations.

## **Mineral Property**

In general, the same statutes and regulations that apply to other types of real property govern the assessment of mineral properties. Three property tax rules, however, are specific to such properties (1) rule 468, which pertains to oil and gas producing properties; (2) rule 469, which pertains to mining properties; and (3) rule 473, which pertains to geothermal properties.

Rule 469(b) provides that the rights to enter upon land for the purpose of exploration, development, or production of mineral are "taxable real property interests to the extent they individually or collectively have ascertainable value." Each subdivision of the rule thereafter specifically sets forth appraisable interests and how a mineral property reaches the point of producing income.

In our prior survey report, we recommended that the assessor assess the mineral rights of quarrying operations. We found that the assessor has not implemented this recommendation; the mineral rights in quarrying operations in Trinity County still are not being assessed. We repeat the prior recommendation.

**RECOMMENDATION 8:** Assess the mineral rights of all operating mining properties.

We found that mining equipment and improvements are being assessed, but no value is enrolled for the mineral rights of operating mining properties. Section 401 provides that the assessor shall assess all property subject to property taxation at its full value. The assessor does not request operating information from mine operators or gather proposed operating information from the county planning department. This information could be used to estimate the market value of the mineral rights. The assessor's failure to assess the mineral rights may result in the loss of tax revenue.

***Power-Producing Property***

Trinity County has several hydroelectric dams that are privately owned and operated. Although these plants are small, appraisal principles are the same as for larger plants; the income approach is the primary appraisal method used. To assist in gathering power plant information for valuation purposes, the assessor should use the *Power Plant Property Statement*, Form BOE-571-C.

**RECOMMENDATION 9:** Use an appropriate economic life when developing a value indicator for power plants by the income approach.

The assessor has been using the remaining term of the energy sales agreements, several of which will expire in the next few years, to project cash flows in his income approaches for power plants. However, the remaining life of the energy sales contract does not correspond to the remaining economic life of the property.

There are more than 380 hydroelectric generating plants in California. Almost one-third of these have been operating for more than 40 years, some as long as 100 years. The independently owned facilities in Trinity County have been online since 1983 or later. It is incorrect, and inconsistent with generally accepted appraisal practice, to limit the remaining economic life of the power plant to the remaining term of the energy sales agreement to which the power plant is subject. This practice results in the properties being undervalued and we estimated a total undervaluation of \$1,000,000 for two of the projects that were reviewed.

Deregulation of the electricity market in California has opened up the market for private sellers of electricity, and, admittedly, more recent changes have made it more difficult, but not impossible, to determine the economic price for electricity. Price projections can be made by observing historical market trends. From the price history, trends can be observed that allow forecasts of future prices for valuation purposes. Price history can be downloaded from the California Independent System Operator's Web site.

## ASSESSMENT OF PERSONAL PROPERTY AND FIXTURES

The assessor's program for assessing personal property and fixtures includes the following major elements:

- Discovery and classification of taxable personal property and fixtures.
- Mailing and processing of annual property statements and questionnaires.
- Annual revaluation of taxable personal property and fixtures.
- Auditing taxpayers whose assessments are based on information provided in property statements.

In Trinity County, the chief appraiser and assessment technician process all business property assessments.

The following table shows the business property workload for the 2003-04 assessment roll:

TYPE	NUMBER
Vessels	797
General Aircraft	48
Property Statements	673
Mandatory Audit Accounts	7

In the following sections of the survey report, we discuss the results of our review of Trinity County's audit program, property statement processing, valuation of business personal property and leased equipment, and the assessment of manufactured homes, aircraft, vessels, and animals.

### ***Audit Program***

A comprehensive audit program is essential to the successful administration of any tax program that relies on information supplied by taxpayers. A good audit program discourages deliberate underreporting, helps educate those property owners who unintentionally misreport, and provides the assessor with additional information to make fair and accurate assessments.

The Trinity County Assessor does not have an auditor-appraiser on staff. Mandatory audits are completed through the California Counties Cooperative Audit Services Exchange (CCCASE), and there is no nonmandatory audit program.

The total number of mandatory audits is seven and all are current. The following table provides a summary of the audits completed over the last five years for Trinity County:

ASSESSMENT ROLL	TOTAL AUDITS	MANDATORY AUDITS	NONMANDATORY AUDITS	NET VALUE CHANGE
2002-03	3	3	0	\$0
2001-02	1	1	0	\$0
2000-01	0	0	0	\$0
1999-00	0	0	0	\$0
1998-99	6	6	0	\$0

In our 1999 survey report, we recommended that the assessor (1) timely audit all mandatory accounts; (2) develop a nonmandatory audit program; and (3) obtain written waivers of the statute of limitations whenever a mandatory audit cannot be completed in a timely manner. We found that the assessor has not implemented the second part of this recommendation. However, due to the limited number of business properties in Trinity County, a nonmandatory audit program is unnecessary and we are not repeating this recommendation.

We reviewed the files on the seven mandatory audits and found that the format, checklist, research, and approach to the audits were consistent, reasonable, and complete. We have no recommendations.

### ***Business Property Statement Program***

Section 441 requires each person owning taxable personal property (other than a manufactured home) having an aggregate cost of \$100,000 or more to annually file a business property statement with the assessor; other persons must file a property statement if requested by the assessor. Property statements form the backbone of the business property assessment program. The assessors use variants of the property statement which address a variety of property types, including commercial, industrial, and agricultural property, vessels, and certificated aircraft.

The Trinity County Assessor receives taxable business property data from taxpayers on their annual business property statements. These statements are mailed annually by the assessor to taxpayers who have more than \$100,000 in assessable business property.

The assessor processed the following number of business property statements for the 2003-04 assessment roll:

CATEGORY	COUNT	ASSESSED VALUE
General Business – Long Form	69	\$11,536,384
General Business – Short Form	560	\$16,117,667
Agriculture	24	\$591,174
Banks & Financial Institutions	5	\$189,794
Apartments	4	\$85,524
Water Companies	4	\$265,551
Hydro Power Plants	6	\$1,820,820
Mining	1	\$3,938
TOTAL	673	\$30,610,852

## Processing

We reviewed randomly selected business property files to determine whether the assessor's policies and procedures were in compliance with statutory provisions and BOE guidelines. In all cases, the policies, procedures, and their application were in compliance. We examined 10 business property statements and found that the chief appraiser had reviewed the statements including a perusal for completeness. If the statements were not complete, they were identified for follow-up with the taxpayer by either a phone call or a written request. We also found that the assessor properly applies penalties for taxpayers that fail to file a business property statement pursuant to section 463.

## Direct Billing

Many California assessors utilize an assessment procedure called "direct billing" or "direct assessment." This is a method of assessing qualified lower-value business accounts without the annual filing of a business property statement. Property statement filing or field reviews are required periodically. Examples of businesses suitable for direct billing include apartments, barber shops, beauty parlors, coin-operated laundrettes, small cafes and restaurants, and professional firms with small equipment holdings. The direct billing program is beneficial to the taxpayer and the assessor. It results in a reduction of paperwork for taxpayers and fewer business property statements that must be processed annually by the assessor.

The Trinity County Assessor uses a direct billing program. The accounts that are direct billed are generally stable and have less than \$30,000 in full cash value. Every three to four years, the assessor sends the taxpayer a business property statement to determine if there have been any substantial changes in the business or its assets, including equipment newly purchased, equipment sold or disposed of, a sale of the business, a change in ownership, and a change in location. After a review of the

property statements, the assessor decides whether the account should remain in the direct billing program.

We found no problems with the assessor's direct billing program. We have no recommendations.

### ***Business Equipment Valuation***

#### **Commercial, Industrial, and Agricultural Equipment**

Assessors value most machinery and equipment using business property value factors. Value factors are derived by combining price index factors (trend factors) with percent-good factors. A value indicator is obtained by multiplying a property's historical (acquisition) cost by an appropriate value factor.

Section 401.5 provides that the BOE shall issue information that promotes uniformity in appraisal practices and assessed values. Pursuant to that mandate, the BOE annually publishes Assessors' Handbook Section 581, *Equipment Index and Percent Good Factors* (AH 581).

Trinity County has 649 commercial and industrial accounts on the 2003-04 unsecured roll with a total assessed value of \$30,019,678, and 24 agricultural accounts with a total assessed value of \$591,174. The assessor primarily uses AH 581 for business property valuation, but also uses *Green Guide Auction Reports* for valuing construction equipment.

We found the assessor's business equipment valuation programs to be consistent with governing statutes and BOE guidelines, except in one area. In our prior survey report, we recommended that the assessor use AH 581 as intended. We found that the assessor continues to improperly use AH 581, and again recommend its proper use.

**RECOMMENDATION 10:** Use Assessors' Handbook Section 581 as intended.

The assessor has not supported the minimum percent good factors used when valuing mobile agricultural and construction equipment. The agricultural and construction mobile equipment percent good factors used by the assessor decline to a maximum of 10 percent whereas the factors in AH 581 decline further. There is no documentation to support the use of a maximum percent good factor, in this case, of 10 percent.

Additionally, we found that the assessor employs the use of minimum percent good factors for valuing older equipment. The valuation factors used by the assessor for valuing older equipment are derived using factors for an age equal to 125 percent of the estimated service life as the minimum percent good factor.

Section 401.16(b) provides that if the assessor uses minimum percent good factors, the factors must be determined in a manner that is supportable. The assessor has no supporting evidence for using minimum valuation factors; hence, the manner is not supportable as required by section 401.16.



## Computer Valuation

Pursuant to section 401.5, the BOE also issues valuation factors for computer equipment (see AH 581, "Table 6: Computer Valuation Factors"). The Trinity County Assessor is properly applying AH 581 computer valuation factors when valuing computer equipment. We have no recommendations.

## ***Leased Equipment***

The business property division is responsible for the discovery, valuation, and assessment of leased equipment. This type of property is one of the more difficult to assess correctly. Common problems include difficulty in establishing taxability and taxable situs, reporting errors by lessees and lessors, valuation (whether the value of the equipment should be the lessor's cost or the cost for the consumer to purchase), and double or escape assessments resulting from lessor and lessee reporting. These issues are discussed in detail in Assessors' Handbook Section 504, *Assessment of Personal Property and Fixtures*.

In Trinity County, the chief appraiser tracks and values leased equipment. When a lessee reports leased equipment on a business property statement, the chief appraiser makes a note in the lessor's file directing a reviewer to the lessee's file. This practice ensures that the lessor and lessee account files are properly cross-referenced, that the business property is correctly assessed, and that the assessee is correctly identified.

Statements are sent to all known lessors and lessees and the information is reconciled upon receipt. The chief appraiser processes business property statements from leasing companies and other known lessors, and conducts a review to determine if any items have gone off-lease (the lease has expired) and possibly escaped assessment for the current year. We found that the chief appraiser is diligent in accounting for all leased and previously leased equipment, and uses valuation factors that are specific to the leased equipment at issue, rather than factors normally associated with a particular commercial enterprise or industry.

We found that the leased equipment assessment program is managed effectively. We have no recommendations.

## ***Manufactured Homes***

A "manufactured home" is defined in Health and Safety Code sections 18007 and 18008, and statutes prescribing the method of assessing manufactured homes are contained in Revenue and Taxation Code sections 5800 through 5842. A manufactured home is subject to local property taxation if sold new on or after July 1, 1980, or if its owner requests conversion from the vehicle license fee to local property taxation. Most manufactured homes are classified as personal property and enrolled on the secured roll.

In Trinity County, the 2002-03 assessment roll includes 687 manufactured homes located in 80 mobilehome parks, with a total assessed value of \$9,549,852 (excluding the value of the rental parks). Additionally, there are approximately 1,200 manufactured homes on the assessment roll that are not situated in mobilehome parks.

With two exceptions, the manufactured home program is in compliance with statutes and BOE policies.

**RECOMMENDATION 11:** Improve the assessment of manufactured homes by  
(1) considering BOE-issued cost data or recognized value guides when assessing manufactured homes, and  
(2) assessing manufactured homes at the lesser of the factored base year value or the current market value, as required by section 5813.

**Consider BOE-issued cost data or recognized value guides when assessing manufactured homes**

The assessor does not consider recognized value guides or BOE-issued cost data when valuing a manufactured home that experiences a change in ownership. Typically, the sale price is enrolled and no further analysis is conducted. Unlike the sale of real property, when a manufactured home changes ownership there is no statutory presumption that the consideration paid is the full value of the property. Section 5803(b) provides that, in determining the full cash value of a manufactured home on rented or leased land, the assessor shall consider BOE-issued cost data or sales prices listed in recognized value guides for manufactured homes, i.e. the *Kelley Blue Book Official Manufactured Housing Guide (Blue Book)*, and the *National Automobile Dealers Association's Manufactured Housing Appraisal Guide (NADA)*, to ensure that the assessment does not include any value attributable to the site. Assessment errors could result from not testing the reasonableness of a sale price using cost data or value guides.

**Assess manufactured homes at the lesser of the factored base year value or the current market value, as required by section 5813**

After the initial enrollment, the assessor leaves the assessment of manufactured homes unchanged for a number of years. We found examples where values remained flat over periods as long as nine years.

Section 5813 provides that the taxable value of a manufactured home should be the lesser of: (1) its factored base year value; (2) its full cash value as of the lien date, considering reductions in value due to damage, destruction, depreciation, obsolescence, or other factors causing a decline in value; or (3) if the manufactured home is damaged or destroyed by a disaster, misfortune, or calamity, its full cash value in its damaged condition shall be its base year value until the manufactured home is restored, repaired, reconstructed, or a new base year is established. Since manufactured homes typically decline in value each year, as evidenced by *NADA*, the assessor's practice, in most cases, results in overassessments in years subsequent to the initial assessment.

**Aircraft**

In Trinity County, there are general and historical aircraft, but no certificated aircraft. The chief appraiser values all aircraft. Aircraft statements are mailed annually to established owners and to the owners of aircraft new to the county as reported in *Airport Operator Reports*. However, as previously mentioned

under the Assessment Forms section, we found that the assessor uses a locally-developed *Aircraft Owners Report* that requests more information than required by section 5365 under threat of penalty.

### General Aircraft

General aircraft are privately owned aircraft that are used for pleasure or business but that are not authorized to carry passengers, mail, or freight on a commercial basis (general aircraft contrast with certificated aircraft, discussed below). Section 5363 requires the assessor to determine the market value of all aircraft according to standards and guidelines prescribed by the BOE. Section 5364 requires the BOE to establish such standards. On January 10, 1997, the BOE approved the *Aircraft Bluebook-Price Digest (Bluebook)* as the primary guide for valuing aircraft, with the *Vref Aircraft Value Reference (Vref)* as an alternative guide for aircraft not listed in the Bluebook.

The following table summarizes the number and value of the aircraft in Trinity County over the last five years:

ASSESSMENT ROLL	NO. OF GENERAL AIRCRAFT	ASSESSED VALUE
2003-04	48	\$1,726,684
2002-03	53	\$1,576,970
2001-02	50	\$1,607,513
2000-01	46	\$1,095,840
1999-00	46	\$1,167,933

### Historical Aircraft

Aircraft of historical significance can be exempted from taxation if it meets certain requirements. Section 220.5 defines "aircraft of historical significance" as (1) an aircraft that is an original, restored, or replica of a heavier than air, powered aircraft 35 years or older; or (2) any aircraft of a type or model of which there are fewer than five such aircraft known to exist worldwide.

The historical aircraft exemption is not automatic. Each year, the owner of an historical aircraft must submit an affidavit on or before 5:00 p.m., February 15, paying a filing fee of thirty-five dollars (\$35) upon the initial application for exemption. Along with these requirements, aircraft of historical significance are exempt only if the following conditions are met: (1) the assessee is an individual owner who does not hold the aircraft primarily for purposes of sale; (2) the assessee does not use the aircraft for commercial purposes or general transportation; and (3) the aircraft was available for display to the public at least 12 days during the 12-month period immediately preceding the lien date for the year for which exemption is claimed.

There are 12 historical aircraft in Trinity County. Following is a table summarizing the number of historical aircraft in the county over the past five years:

ASSESSMENT ROLL	NO. OF HISTORICAL AIRCRAFT	ASSESSED VALUE
2003-04	12	\$396,304
2002-03	15	\$365,236
2001-02	15	\$393,143
2000-01	18	\$408,046
1999-00	19	\$454,229

Historically, the assessor has received the affidavits for the exemption of these aircraft on or before the statutory deadline each year. The assessor verifies that the public display requirement is met and collects the one-time \$35 application fee with the initial filing. However, we found one problem with the processing of the affidavit.

**RECOMMENDATION 12:** Modify the aircraft assessment program by (1) accepting only properly executed affidavits for the historical aircraft exemption, as required by section 220.5, and (2) complying with BOE guidelines for assessing aircraft.

#### **Accept only properly executed affidavits for the historical aircraft exemption**

The assessor accepts affidavits for the historical aircraft exemption that are not signed before a notary public or the assessor or his designee. Pursuant to section 220.5(c), the claimant shall sign and swear to the accuracy of the contents of the affidavit before either a notary public or the assessor or his or her designee, at the option of the claimant. By accepting improperly executed affidavits, the assessor is granting a property tax exemption without statutory authority.

#### **Comply with BOE guidelines for assessing aircraft**

The assessor uses the *Vref* value guide as his primary guide for valuing general aircraft rather than the value guide approved by the BOE. Additionally, we found that the assessor inappropriately adjusts the value indicated in the *Vref* value guide an additional 15 to 25 percent for depreciation. This adjustment is based on staff belief that local aircraft have lower value than aircraft situated elsewhere. However, there was no documentation to support this assumption.

Section 5363 provides that the assessor must adhere to the guidelines prescribed by the BOE when assessing aircraft. Pursuant to this section, in LTA 97/03, the BOE approved the *Bluebook* as the primary guide for valuing aircraft, and approved *Vref* as an alternate only for aircraft not listed in the *Bluebook*. Also in that LTA, the BOE directed that listed retail values are to be reduced by 10 percent to provide reasonable estimates of fair market values for aircraft in truly average condition. Assessors are encouraged to make any other adjustments that are necessary to achieve fair market value assessments of aircraft. However, variances from the values indicated by use of the recommended guide

must be based on reasonable evidence and should be well documented. In using *Vref* as his primary and only guide, the assessor is not complying with section 5363 or BOE guidelines. Additionally, undocumented depreciation may result in underassessments of general aircraft and a decrease in the local roll value.

### **Vessels**

The Trinity County Assessor enrolled 797 vessels on the 2003-04 assessment roll, with a total assessed value of \$6,096,796. The assessor's primary discovery sources include Department of Motor Vehicle reports, marina lists, and referrals from other counties.

Trinity County has a large population of houseboats in the recreational lakes of Lewiston and Trinity. The chief appraiser is responsible for the assessment of houseboats. The assessment technician initially prepares the appraisals that are then reviewed by the chief appraiser. Recreational vessels such as runabouts, inboard/outboards, and jet skis are valued using the *New Boat & Motor Price Guide Blue Book*.

Initial appraised values are estimated based on the appropriate edition of the value guide. In subsequent years, a fixed percentage of depreciation is applied. Previously, we recommended that a comprehensive study be undertaken to determine a confident level of depreciation. The assessor conducted a study and the depreciation percentage applied to vessels in the county is justifiable based on that study.

We have no recommendations regarding the assessment of vessels.

### **Animals**

Trinity County has very few assessable animals. Most animals are reported on the *Agricultural Property Statement*, Form BOE-571-F. Assessable animals in the county include a small number of breeding stock and pack mules. Discovery methods used by the assessor include intercounty communications of transfers, newspaper articles and advertisements, telephone yellow pages, business directories, and self-reported assessable animals on agricultural property statements. We found that the assessor properly discovers, identifies, and appraises assessable animals. Overall, the program is well administered. We have no recommendations.

## APPENDICES

### ***Appendix A: County Property Tax Division Survey Group***

#### ***Trinity County***

##### ***Chief, County Property Tax Division:***

Mickie Stuckey

##### ***Survey Program Director:***

Benjamin Tang

Principal Property Appraiser

##### ***Survey Team Supervisor:***

Arnold Fong

Supervising Property Appraiser

##### ***Survey Team Leader:***

Sally Boeck

Senior Specialist Property Appraiser

##### ***Survey Team:***

James McCarthy

Senior Petroleum & Mining Appraisal Engineer

John Frank

Senior Specialist Property Appraiser

Lloyd Allred

Associate Property Auditor-Appraiser

Ancil Aydelott

Associate Property Auditor-Appraiser

Larry Gee

Associate Property Auditor-Appraiser

Bob Curry

Associate Property Appraiser

Nick Winters

Associate Property Appraiser

Marilyn Jones

Tax Technician II

## **Appendix B: Relevant Statutes and Regulations**

### **Government Code**

#### **15640. Survey by board of county assessment procedures.**

- (a) The State Board of Equalization shall make surveys in each county and city and county to determine the adequacy of the procedures and practices employed by the county assessor in the valuation of property for the purposes of taxation and in the performance generally of the duties enjoined upon him or her.
- (b) The surveys shall include a review of the practices of the assessor with respect to uniformity of treatment of all classes of property to ensure that all classes are treated equitably, and that no class receives a systematic overvaluation or undervaluation as compared to other classes of property in the county or city and county.
- (c) The surveys may include a sampling of assessments from the local assessment rolls. Any sampling conducted pursuant to subdivision (b) of Section 15643 shall be sufficient in size and dispersion to insure an adequate representation therein of the several classes of property throughout the county.
- (d) In addition, the board may periodically conduct statewide surveys limited in scope to specific topics, issues, or problems requiring immediate attention.
- (e) The board's duly authorized representatives shall, for purposes of these surveys, have access to, and may make copies of, all records, public or otherwise, maintained in the office of any county assessor.
- (f) The board shall develop procedures to carry out its duties under this section after consultation with the California Assessors' Association. The board shall also provide a right to each county assessor to appeal to the board appraisals made within his or her county where differences have not been resolved before completion of a field review and shall adopt procedures to implement the appeal process.

#### **15641. Audit of Records; Appraisal Data Not Public.**

In order to verify the information furnished to the assessor of the county, the board may audit the original books of account, wherever located; of any person owning, claiming, possessing or controlling property included in a survey conducted pursuant to this chapter when the property is of a type for which accounting records are useful sources of appraisal data.

No appraisal data relating to individual properties obtained for the purposes of any survey under this chapter shall be made public, and no state or local officer or employee thereof gaining knowledge thereof in any action taken under this chapter shall make any disclosure with respect thereto except as that may be required for the purposes of this chapter. Except as specifically provided herein, any appraisal data may be disclosed by the board to any assessor, or by the board or the assessor to the assessee of the property to which the data relate.

The board shall permit an assessee of property to inspect, at the appropriate office of the board, any information and records relating to an appraisal of his or her property, including "market data" as defined in Section 408. However, no information or records, other than "market data," which relate to the property or business affairs of a person other than the assessee shall be disclosed.

Nothing in this section shall be construed as preventing examination of that data by law enforcement agencies, grand juries, boards of supervisors, or their duly authorized agents, employees, or representatives

conducting an investigation of an assessor's office pursuant to Section 25303, and other duly authorized legislative or administrative bodies of the state pursuant to their authorization to examine that data.

**15642. Research by board employees.**

The board shall send members of its staff to the several counties and cities and counties of the state for the purpose of conducting that research it deems essential for the completion of a survey report pursuant to Section 15640 with respect to each county and city and county. The survey report shall show the volume of assessing work to be done as measured by the various types of property to be assessed and the number of individual assessments to be made, the responsibilities devolving upon the county assessor, and the extent to which assessment practices are consistent with or differ from state law and regulations. The report may also show the county assessor's requirements for maps, records, and other equipment and supplies essential to the adequate performance of his or her duties, the number and classification of personnel needed by him or her for the adequate conduct of his or her office, and the fiscal outlay required to secure for that office sufficient funds to ensure the proper performance of its duties.

**15643. When surveys to be made .**

(a) The board shall proceed with the surveys of the assessment procedures and practices in the several counties and cities and counties as rapidly as feasible, and shall repeat or supplement each survey at least once in five years.

(b) The surveys of the 10 largest counties and cities and counties shall include a sampling of assessments on the local assessment rolls as described in Section 15640. In addition, the board shall each year, in accordance with procedures established by the board by regulation, select at random at least three of the remaining counties or cities and counties, and conduct a sample of assessments on the local assessment roll in those counties. If the board finds that a county or city and county has "significant assessment problems," as provided in Section 75.60 of the Revenue and Taxation Code, a sample of assessments will be conducted in that county or city and county in lieu of a county or city and county selected at random. The 10 largest counties and cities and counties shall be determined based upon the total value of locally assessed property located in the counties and cities and counties on the lien date that falls within the calendar year of 1995 and every fifth calendar year thereafter.

(c) The statewide surveys which are limited in scope to specific topics, issues, or problems may be conducted whenever the board determines that a need exists to conduct a survey.

(d) When requested by the legislative body or the assessor of any county or city and county to perform a survey not otherwise scheduled, the board may enter into a contract with the requesting local agency to conduct that survey. The contract may provide for a board sampling of assessments on the local roll. The amount of the contracts shall not be less than the cost to the board, and shall be subject to regulations approved by the Director of General Services.

**15644. Recommendations by board.**

The surveys shall incorporate reviews of existing assessment procedures and practices as well as recommendations for their improvement in conformity with the information developed in the surveys as to



what is required to afford the most efficient assessment of property for tax purposes in the counties or cities and counties concerned.

**15645. Survey report; final survey report; assessor's report.**

(a) Upon completion of a survey of the procedures and practices of a county assessor, the board shall prepare a written survey report setting forth its findings and recommendations and transmit a copy to the assessor. In addition the board may file with the assessor a confidential report containing matters relating to personnel. Before preparing its written survey report, the board shall meet with the assessor to discuss and confer on those matters which may be included in the written survey report.

(b) Within 30 days after receiving a copy of the survey report, the assessor may file with the board a written response to the findings and recommendations in the survey report. The board may, for good cause, extend the period for filing the response.

(c) The survey report, together with the assessor's response, if any, and the board's comments, if any, shall constitute the final survey report. The final survey report shall be issued by the board within two years after the date the board began the survey. Within a year after receiving a copy of the final survey report, and annually thereafter, no later than the date on which the initial report was issued by the board and until all issues are resolved, the assessor shall file with the board of supervisors a report, indicating the manner in which the assessor has implemented, intends to implement, or the reasons for not implementing the recommendations of the survey report, with copies of that response being sent to the Governor, the Attorney General, the State Board of Equalization, the Senate and Assembly and to the grand juries and assessment appeals boards of the counties to which they relate.

**15646. Copies of final survey reports to be filed with local officials.**

Copies of final survey reports shall be filed with the Governor, Attorney General, and with the assessors, the boards of supervisors, the grand juries and assessment appeals boards of the counties to which they relate, and to other assessors of the counties unless one of these assessors notifies the State Board of Equalization to the contrary and, on the opening day of each regular session, with the Senate and Assembly.

**Revenue and Taxation Code****75.60. Allocation for administration.**

(a) Notwithstanding any other provision of law, the board of supervisors of an eligible county or city and county, upon the adoption of a method identifying the actual administrative costs associated with the supplemental assessment roll, may direct the county auditor to allocate to the county or city and county, prior to the allocation of property tax revenues pursuant to Chapter 6 (commencing with Section 95) and prior to the allocation made pursuant to Section 75.70, an amount equal to the actual administrative costs, but not to exceed 5 percent of the revenues that have been collected on or after January 1, 1987, due to the assessments under this chapter. Those revenues shall be used solely for the purpose of administration of this chapter, regardless of the date those costs are incurred.

(b) For purposes of this section:

- (1) "Actual administrative costs" includes only those direct costs for administration, data processing, collection, and appeal that are incurred by county auditors, assessors, and tax collectors. "Actual administrative costs" also includes those indirect costs for administration, data processing, collections, and appeal that are incurred by county auditors, assessors, and tax collectors and are allowed by state and federal audit standards pursuant to the A-87 Cost Allocation Program.
- (2) "Eligible county or city and county" means a county or city and county that has been certified by the State Board of Equalization as an eligible county or city and county. The State Board of Equalization shall certify a county or city and county as an eligible county or city and county only if both of the following are determined to exist:
  - (A) The average assessment level in the county or city and county is at least 95 percent of the assessment level required by statute, as determined by the board's most recent survey of that county or city and county performed pursuant to Section 15640 of the Government Code.
  - (B) For any survey of a county assessment roll for the 1996-97 fiscal year and each fiscal year thereafter, the sum of the absolute values of the differences from the statutorily required assessment level described in subparagraph (A) does not exceed 7.5 percent of the total amount of the county's or city and county's statutorily required assessed value, as determined pursuant to the board's survey described in subparagraph (A).
- (3) Each certification of a county or city and county shall be valid only until the next survey made by the board. If a county or city and county has been certified following a survey that includes a sampling of assessments, the board may continue to certify that county or city and county following a survey that does not include sampling if the board finds in the survey conducted without sampling that there are no significant assessment problems in the county or city and county. The board shall, by regulation, define "significant assessment problems" for purposes of this section, and that definition shall include objective standards to measure performance. If the board finds in the survey conducted without sampling that significant assessment problems exist, the board shall conduct a sampling of assessments in that county or city and county to determine if it is an eligible county or city and county. If a county or city and county is not certified by the board, it may request a new survey in advance of the regularly scheduled survey, provided that it agrees to pay for the cost of the survey.

**Title 18, California Code of Regulations**

**Rule 370. Random selection of counties for representative sampling.**

- (a) **SURVEY CYCLE.** The board shall select at random at least three counties from among all except the 10 largest counties and cities and counties for a representative sampling of assessments in accordance with the procedures contained herein. Counties eligible for random selection will be distributed as equally as possible in a five-year rotation commencing with the local assessment roll for the 1997–98 fiscal year.
- (b) **RANDOM SELECTION FOR ASSESSMENT SAMPLING.** The three counties selected at random will be drawn from the group of counties scheduled in that year for surveys of assessment practices. The scheduled counties will be ranked according to the size of their local assessment rolls for the year prior to the sampling.
- (1) If no county has been selected for an assessment sampling on the basis of significant assessment problems as provided in subdivision (c), the counties eligible in that year for random selection will be divided into three groups (small, medium, and large), such that each county has an equal chance of being selected. One county will be selected at random by the board from each of these groups. The board may randomly select an additional county or counties to be included in any survey cycle year. The selection will be done by lot, with a representative of the California Assessors' Association witnessing the selection process.
  - (2) If one or more counties are scheduled for an assessment sampling in that year because they were found to have significant assessment problems, the counties eligible for random selection will be divided into the same number of groups as there are counties to be randomly selected, such that each county has an equal chance of being selected. For example, if one county is to be sampled because it was found to have significant assessment problems, only two counties will then be randomly selected and the pool of eligible counties will be divided into two groups. If two counties are to be sampled because they were found to have significant assessment problems, only one county will be randomly selected and all counties eligible in that year for random selection will be pooled into one group.
  - (3) Once random selection has been made, neither the counties selected for an assessment sampling nor the remaining counties in the group for that fiscal year shall again become eligible for random selection until the next fiscal year in which such counties are scheduled for an assessment practices survey, as determined by the five-year rotation. At that time, both the counties selected and the remaining counties in that group shall again be eligible for random selection.
- (c) **ASSESSMENT SAMPLING OF COUNTIES WITH SIGNIFICANT ASSESSMENT PROBLEMS.** If the board finds during the course of an assessment practices survey that a county has significant assessment problems as defined in Rule 371, the board shall conduct a sampling of assessments in that county in lieu of conducting a sampling in a county selected at random.
- (d) **ADDITIONAL SURVEYS.** This regulation shall not be construed to prohibit the Board from conducting additional surveys, samples, or other investigations of any county assessor's office.

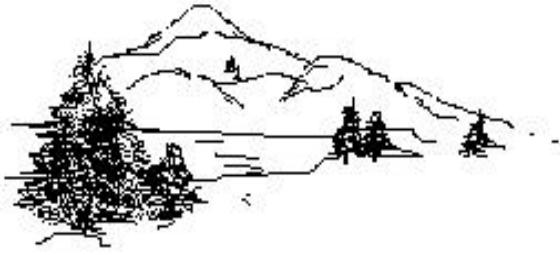
**Rule 371. Significant assessment problems .**

- (a) For purposes of Revenue and Taxation Code Section 75.60 and Government Code Section 15643, "significant assessment problems" means procedure(s) in one or more areas of an assessor's assessment operation, which alone or in combination, have been found by the Board to indicate a reasonable probability that either:
- (1) the average assessment level in the county is less than 95 percent of the assessment level required by statute; or
  - (2) the sum of all the differences between the board's appraisals and the assessor's values (without regard to whether the differences are underassessments or overassessments), expanded statistically over the assessor's entire roll, exceeds 7.5 percent of the assessment level required by statute.
- (b) For purposes of this regulation, "areas of an assessor's assessment operation" means, but is not limited to, an assessor's programs for:
- (1) Uniformity of treatment for all classes of property.
  - (2) Discovering and assessing newly constructed property.
  - (3) Discovering and assessing real property that has undergone a change in ownership.
  - (4) Conducting mandatory audits in accordance with Revenue and Taxation Code Section 469 and Property Tax Rule 192.
  - (5) Assessing open-space land subject to enforceable restriction, in accordance with Revenue and Taxation Code Sections 421 et. seq.
  - (6) Discovering and assessing taxable possessory interests in accordance with Revenue and Taxation Code Sections 107 et. seq.
  - (7) Discovering and assessing mineral-producing properties in accordance with Property Tax Rule 469.
  - (8) Discovering and assessing property that has suffered a decline in value.
  - (9) Reviewing, adjusting, and, if appropriate, defending assessments for which taxpayers have filed applications for reduction with the local assessment appeals board.
- (c) A finding of "significant assessment problems," as defined in this regulation, would be limited to the purposes of Revenue and Taxation Code Section 75.60 and Government Code Section 15643, and shall not be construed as a generalized conclusion about an assessor's practices.

## **ASSESSOR'S RESPONSE TO BOE'S FINDINGS**

Under section 15645 of the Government Code, an assessor may file a response to the findings and recommendation contained in the BOE's survey report. The survey report, the assessor's response, and the BOE's comments on the assessor's response, if any, constitute the final survey report.

The Trinity County Assessor's response begins on the next page. The BOE has no comments to the assessor's response.



# TRINITY COUNTY

ASSESSOR / CLERK / RECORDER

**DERO FORSLUND**

P. O. BOX 1255

WEAVERVILLE CA 96093-1255

PHONE (530) 623-1257

FAX (530) 623-8398

June 4, 2004

Ms. Mickie Stuckey, Chief  
County Property Tax Division  
California State Board of Equalization  
P O Box 942879  
Sacramento CA 94279-0062

Dear Ms. Stuckey,

Pursuant to Section 15645 of the California Government Code, enclosed is the Assessor's response to the recommendations contained in the Trinity County Assessment Practices Survey Report for the 2003-04 assessment roll. Please include our response in your final report.

I would also like to thank the entire survey team for their professional and cordial manner in which the survey was conducted.

Respectfully submitted,

/s/ Dero B. Forslund

Dero B. Forslund  
Trinity County  
Assessor/ Clerk/ Recorder

Enclosure

DBF:dlb

**TRINITY COUNTY RESPONSE  
ASSESSMENT PRACTICES SURVEY  
MAY 2004**

**RECOMMENDATION 1:** Request that the Trinity County Board of Supervisors conform its disaster relief ordinance to the current provisions of section 170

**RESPONSE:** *We will again request County Counsel to draft and submit a resolution to bring the provisions of our disaster relief ordinance current with section 170*

**RECOMMENDATION 2:** Correctly identify and note penalty and escape assessments on the current assessment roll

**RESPONSE:** *Although the Assessor's software does not provide for the details of these events, the records are clearly marked that identify them. Hard copy and information will be available upon request in our office*

**RECOMMENDATION 3:** Revise assessment forms procedures by (1) using only the current version of BOE-prescribed forms, and (2) including the penalty language only on appropriate forms

**RESPONSE:** *We concur and have implemented the procedures as recommended*

**RECOMMENDATION 4:** Enroll domestic and irrigation water wells as land

**RESPONSE:** *We disagree with the classification recommendation.*

**RECOMMENDATION 5:** Improve the decline-in-value assessment program by (1) reviewing all decline-in-value properties each lien date as required by section 51(e), and (2) sending a value notice informing each assessee that their property's full value has increased over its full value for the prior year, as required by section 619(a)

**RESPONSE:** *We concur and when staff and budget become available, this recommendation should be implemented*

**RECOMMENDATION 6:** Issue supplemental assessments for all taxable possessory interests

**RESPONSE:** *We concur and when staff and budget become available, this recommendation should be implemented*

**RECOMMENDATION 7:** Revise the taxable possessory interest assessment program by (1) assessing all taxable possessory interests, and (2) using proper valuation procedures for assessing taxable possessory interests

**RESPONSE:** *We concur and when staff and budget become available, this recommendation should be implemented*

**RECOMMENDATION 8:** Assess the mineral rights of all operating mining properties

**RESPONSE:** *We concur and when staff and budget become available, this recommendation should be implemented*

**RECOMMENDATION 9:** Use an appropriate economic life when developing a value indicator for power plants by the income approach

**RESPONSE:** *We concur and will implement procedures to establish a realistic economic life for hydro power plants*

**RECOMMENDATION 10:** Use Assessors' Handbook Section 581 as intended

**RESPONSE:** *We concur and when staff and budget become available, this recommendation should be implemented*

**RECOMMENDATION 11:** Improve the assessment of manufactured homes by (1) considering BOE-issued cost data or recognized value guides when assessing manufactured homes, and (2) assessing manufactured homes at the lesser of the factored base year value or the current market value, as required by section 5813

**RESPONSE:** *We concur and have implemented the first recommendation by using Kelly Blue Books and NADA Guides to determine the appropriate values of the manufactured homes starting with the 2004-05 local roll. When staff and budget become available, the second recommendation should be implemented*

**RECOMMENDATION 12:** Modify the aircraft assessment program by (1) accepting only properly executed affidavits for the historical aircraft exemption, as required by section 220.5, and (2) complying with BOE guidelines for assessing aircraft

**RESPONSE:** *We concur and will implement the first part starting with the 2005-06 local roll. The second part has been implemented for the 2004-05 local roll*